

APPENDIX A
AMENDED SETTLEMENT OF 2006-2008
DEMAND RESPONSE PROGRAM

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval
of 2006-2008 Demand Response Programs and Budgets;

Application 05-06-006
(Filed June 1, 2005)

And Related Actions.

Application 05-06-008
Application 05-06-017

AMENDED SETTLEMENT OF 2006-2008 DEMAND RESPONSE PROGRAMS

JANUARY 30, 2006

This document sets forth the terms of a settlement, amended January 30, 2006 ("Amended Settlement"), among Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (together, the utilities) and the following parties participating in the proceedings of the California Public Utilities Commission (Commission) to address Application (A.) 05-06-006, A.05-06-008, and A.05-06-017 (the 2006-2008 demand response (DR) program applications): Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), Aglet Consumer Alliance (Aglet), San Francisco Community Power (SF Power), and Association of California Water Agencies (ACWA) (together, the Settling Parties).

RECITALS

1. In Decision (D.) 05-01-056, Ordering Paragraph 3, the Commission ordered PG&E, SDG&E, and SCE to file "2006-2008 demand response program applications on June 1, 2005 concurrent with their 2006-2008 energy efficiency applications."
2. On June 1 2005, PG&E filed A.05-06-006, SCE filed A.05-06-008, and SDG&E filed A.05-06-017, each proposing demand response (DR) programs, projected revenue requirements, and cost recovery mechanisms for 2006-2008. Each utility included opening testimony in support of its application and request.
3. On July 27, 2005, the Assigned Administrative Law Judge (ALJ) to these dockets issued a ruling requiring the utilities to supplement their testimony to provide cost effectiveness analysis for DR programs.
4. On August 26, 2005, PG&E, SDG&E, and SCE served supplemental testimony addressing cost effectiveness of DR programs as requested by the ALJ Ruling.

5. On September 26, 2005, DRA, TURN, Aglet, and SF Power served direct testimony addressing the issues in these dockets. On October 7, 2005, the utilities, SF Power, and ACWA served rebuttal testimony.
6. A prehearing conference was held on October 21, 2005, at which the parties indicated that settlement discussions were underway.
7. On October 27, 2005, the Assigned Commissioner issued a "Scoping Memo and Ruling" setting forth a procedural schedule and bifurcating the proceeding.
8. On November 7, 2005, the Settling Parties noticed a settlement conference pursuant to the requirements of Rule 51. The Settlement conference was held on November 14, 2005.
9. On December 2, 2005, the Settling Parties filed a motion for approval of the Settlement.
10. On January 17, 2006, the Assigned Administrative Law Judge ("ALJ") convened a hearing on the merits of the Settlement. At the hearing, the ALJ expressed some concerns about various provisions of the Settlement. The Settling Parties agreed to amend the Settlement to address those concerns.

In consideration of the foregoing premises, and of the mutual promises set forth herein, the Settling Parties agree and recommend to the Commission that:

I. GENERAL TERMS AND CONDITIONS

1. This Amended Settlement is intended to be a resolution among the Settling Parties of all issues pertaining to the design, structure, implementation, funding, and cost recovery of the DR programs proposed by the utilities in the 2006-2008 DR program applications.
2. The Settling Parties agree to support the Amended Settlement and perform diligently, and in good faith, all actions required or implied hereunder, including without limitation, the preparation of written pleadings, to obtain the approval and adoption of this Amended Settlement by the Commission. No Settling Party will contest in this proceeding, or in any other forum, or in any manner before this Commission, this Amended Settlement.
3. The Settling Parties understand that time is of the essence in obtaining the Commission's approval of this Amended Settlement and that each will extend its best efforts to ensure its adoption.
4. The Settling Parties agree by executing and submitting this Amended Settlement that the relief requested herein is just, fair and reasonable, and in the public interest.

5. This Amended Settlement was negotiated pursuant to the provisions of Rule 51 of the Commission's Rules of Practice and Procedure. As such this Amended Settlement, and the discussions reaching the Amended Settlement, are subject to the restrictions of Rule 51, including Rule 51.9. The Settling Parties acknowledge that all the requirements of Rule 51, including the requirement for a properly noticed settlement conference, have been satisfied.
6. This Amended Settlement is not intended by the Settling Parties to be precedent regarding any principle or issue. The Settling Parties have assented to the terms of this Amended Settlement only for the purpose of arriving at the compromise embodied in this Amended Settlement. Each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Amended Settlement, and each Settling Party expressly declares that, as provided in Rule 51.8 of the Commission's Rules of Practice and Procedure, this Amended Settlement should not be considered as a precedent for or against it.
7. Should any section, provision or portion of this Amended Settlement be held to be unlawful by the Commission or a court of proper jurisdiction, then and in such event, any such section, provision, or portion shall be deleted from this Amended Settlement, and the remainder of this Amended Settlement shall subsist and continue in force and effect.
8. This Amended Settlement embodies compromises of the Settling Parties' positions. No individual term of this Amended Settlement is assented to by any Settling Party, except in consideration of the other Settling Parties' assents to all other terms. Thus, the Amended Settlement is indivisible and each part is interdependent on each and all other parts. Any Settling Party may withdraw from this Amended Settlement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Settling Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. The terms and conditions of this Amended Settlement may only be modified in writing subscribed to by the Settling Parties.

II. ISSUES COMMON TO ALL PROGRAMS

A. Cost Effectiveness Methods

1. Economic analysis - including but not limited to cost effectiveness methods, cost-benefit analysis, least cost calculations and option valuation - is one of several factors that the Commission should rely on to evaluate DR programs.
2. In the current phase of this proceeding the Commission should address utility DR programs and funding levels, leaving more general review of cost effectiveness methods for a later phase or another proceeding. The Settling Parties recognize and concur with the ruling of the Assigned Commissioner that the Commission should apply available analytical tools even though the Commission may not have adopted specific analytical models. (Assigned Commissioner's Scoping Memo and Ruling, October 27, 2005, p. 3.)
3. Proposals for utility spending limits, incentive caps, and the linking or tying of incentives to market prices should be included in the Commission's subsequent review of demand response program cost effectiveness methods. The Settling Parties agree and recommend that such comprehensive review should be incorporated into the process adopted by the Commission in D.05-11-009 approved November 18, 2005, in Rulemaking 02-06-001. (D.05-11-009, discussion at pp. 13-14, Ordering Paragraph 11 at p. 21.) Aglet agrees to withdraw from Phase 1 of this proceeding its recommendations regarding incentive caps and the linking or tying of incentives to market prices.
4. Resolution of DR program cost effectiveness methods should not delay approval of the 2006-2008 DR programs as proposed in this Amended Settlement.

B. Goals and Counting Rules

1. Counting rules for DR programs should be revised through the procedures for measurement and evaluation protocols outlined in D.05-11-009, approved November 18, 2005, in Rulemaking 02-06-001. (D.05-11-009, discussion at pp.11-13, Ordering Paragraphs 8, 9, and 10 at p. 21). While D. 05-11-009 establishes a procedure for establishing counting rules for planning purposes (i.e., resource adequacy) the scope of that process should include revision of counting rules for purposes of determining whether or not a utility has met the Commission goals for demand response.

2. DR goals should be revised in a later phase of this proceeding or in another proceeding.
3. Resolution of counting rules and DR goals should not delay approval of the 2006-2008 DR programs as proposed in this Amended Settlement.

C. Collaborative Process for Demand Response

1. The parties agree that a collaborative process should be continued, and propose that the Commission keep this consolidated application proceeding open and direct the utilities to meet at least twice a year during the program cycle with intervenors (DRA, TURN, Aglet, SF Power, ACWA) and other interested stakeholders (but excluding decision-makers in this proceeding) to discuss and seek input on the design and implementation of demand response program portfolios, including new program proposals, changes to existing programs and budget reallocations, and on statewide and utility-specific programs and issues.
2. Intervenors and other interested stakeholders can advise the utilities regarding design and implementation of demand response program portfolios but will not have decision making authority.
3. Parties eligible to receive intervenor compensation awards in this or other DR proceedings should be eligible to seek compensation for their work with the utilities on the design and implementation of demand response program portfolios.
4. Starting in spring 2006, the utilities will meet with intervenors and other interested stakeholders at least twice a year - once prior to summer and once at the end of the summer. The meetings may be in person or telephonic. These two meetings would be called and noticed by the utilities to discuss the statewide DR programs and the marketing efforts of each utility and coordinating efforts (if necessary). Programs for the coming summer should be discussed at the first session. Any proposals covering program design, implementation or level of funding that are envisioned to be filed in advance of the summer's programs should be discussed at the first session. After the summer, the advantages and disadvantages of program operations and subscription will be discussed. Other topics may be solicited from participants as necessary.
5. At least one additional meeting will be held annually with each individual utility to discuss the utility's specific programs and issues. This meeting would be noticed by the utility. Other utility specific topics will be solicited from participants.

6. Statewide meetings will be convened in San Francisco unless otherwise agreed by the participants. Meetings will be chaired by a member of each utility on a rotating basis unless otherwise agreed by the utilities.
7. The utilities will provide reasonable advance notice to intervenors and other participating stakeholders regarding the content of any proposal they intend to file which seeks authorization to create a new program, alter an existing program or reallocate funds among programs.

D. Program and Budget Flexibility

1. The utilities may file proposals by advice letter or by motion submitted in this proceeding to seek authorization to implement during the 2006-08 program cycle newly developed programs funded within the utilities' authorized 2006-08 funding levels.
2. Utilities may file advice letters or motions to shift program spending above adopted fund shifting guidelines (see below) but within the authorized budgets. All proposals that fall outside the guidelines shall be first discussed in the utilities' collaborative meetings with intervenors and interested stakeholders. Otherwise, such adjustments will be noticed as described in Section II.C.7 above.
3. Parties agree that the Commission should approve for the utilities' portfolios the following fund shifting guidelines. Fund shifting within these guidelines will not require an advice letter.
 - a. Except as limited for each specific utility in sections III, IV, and V below, the utilities will have flexibility to reallocate 50% of funds between programs in a given budget category, provided that no program authorized and funded by the Commission will be terminated without prior authorization from the Commission. The budget categories are: (1) specified programs;¹ (2) statewide informational, educational, and developmental programs;² and (3) other programs.

¹ These include the Day-Ahead and Day-Of programs included in the utilities' respective 2006 – 2008 portfolios; Communicating Smart Thermostat Pilot (SCE only); TA&TI; utility-specific IDSM marketing, education, and general outreach (over and under 200 kW); CEMP (PG&E only); other programs that may be developed that have specific MW reductions.

² These include FYPN, Peak Program, Special Projects Group (PG&E only), Emerging Technologies, and InterAct (PG&E) costs.

- b. Utilities will automatically carry over any unused dollars in each budget category from one year to the next year.
- c. Utilities will have the ability to modify existing DR programs through 2008 as long as they remain within the overall three year spending limits within each budget category and fund shifting limits as adopted in this proceeding.
- 4. The utilities shall file any proposals or requests for incremental funding for new or existing programs by advice letter or application.

E. Specific Programs Common to All Three Utilities

1. Demand Reserves Partnership (DRP)

- a. The statewide California Power Authority DRP program would continue for each utility in its current form through May 2007 consistent with Resolution E-3875 and the expiration of the Demand Reserves Partnership Agreement.
- b. By no later than June 1, 2006, the utilities will file advice letters or applications proposing a replacement program structure and budgets for 2007-2008 so that DR attributable to the current DRP program participants will not be lost.
- c. Prior to such filings, the utilities will present their proposals to intervenors and other interested stakeholders.

2. Technical Assistance (TA) and Technology Incentives (TI)

- a. Parties agree that the Technology Incentives offered by the TA&TI programs should have a DR program participation requirement.
- b. Fifty percent (50%) of a customer's Technology Incentive will be contingent upon the customer's agreement, within six months of receiving the first 50% of the Technology Incentive, to participate in a utility DR program for at least 12 consecutive months.
- c. The first 50% of the Technology Incentive will be paid as follows: 25% upon installation of enabling technology; 25% upon measurement and verification of DR kilowatt (kW) potential resulting from installation of enabling technology.
- d. If the customer is already participating in a utility-sponsored DR program, the customer will receive the remaining 50% of the eligible Technology Incentive based on the measurement and verification results.

- e. Parties agree that the above requirements for Technology Incentives may not be appropriate for certain technologies. Parties agree that the Technology Incentive requirements above may need to be modified in the future to accommodate anticipated program changes. Proposed modifications to the Technology Incentive will be presented to intervenors and other interested stakeholders for review and feedback before the utilities file with the Commission.

3. Water Agency Programs

- a. Parties agree that water agency measures are eligible for TI if they can be demonstrated to provide peak load reductions (*i.e.*, verification of demand response under TI program guidelines).
- b. No later than March 31, 2006, the utilities should notice and chair a working group meeting of intervenors and other interested stakeholders to determine what other programs could be developed specifically for water agencies, and other similar large user groups, and how demand response for these particular groups can be optimized. Programs and technologies applicable to water districts (and potentially other similar large users) offer great potential to reduce peak demand, but because most of these technologies are operational for most hours, they do not fall within the demand response definition of temporary load reduction during critical peak periods. The parties agree that the working group should be utilized to further explore these technologies for their load reduction potentials and for their proper fit within an integrated demand side management (IDSM) portfolio.
- c. Following the working group meetings, the utilities shall develop program proposals for consideration by working group participants in late summer or fall 2006. Proposals seeking authorization to implement programs resulting from this process should be filed no later than October 31, 2006.
- d. Parties eligible to receive intervenor compensation awards in this or other DR proceedings should be eligible to seek compensation for their participation in the working group.

4. 20/20 programs

PG&E and SCE will evaluate results of SDG&E's 20/20 for commercial and industrial (C&I) in Spring 2006 and discuss these results with the intervenors and other interested

stakeholders. If SCE and/or PG&E decide to implement a similar program in 2007 or 2008, incremental funding, if needed, will be requested by advice letter or application filed no later than October 31, 2006.

5. Scheduled Load Reduction Program (SLRP)

Parties agree that the SLRP programs should be discontinued.

F. Loading Order

The parties agree that utility compliance with loading order provisions of the Energy Action Plan is beyond the scope of this proceeding. Aglet agrees to withdraw from Phase 1 of this proceeding its recommendation that the Commission order the utilities to file advice letters and provide explanations of their compliance with loading order provisions.

III. PG&E PROGRAMS

The demand response programs, budgets and cost recovery proposed in A.05-06-006 for PG&E's 2006 – 2008 DR portfolio should be adopted subject to the provisions of Section II of this Amended Settlement and the following:

A. Air Conditioning (AC) Cycling Pilot in 2007 and 2008

1. An AC cycling pilot consisting of up to 2,000 residential customers will be created for implementation in 2007. Cycling will occur through the installation of a direct load control switch installed on the customer's AC compressor (at no cost to the customer). The device will be compatible with PG&E's Advanced Metering Infrastructure (AMI) technology. The installation can be done through a turnkey arrangement or through a combination of PG&E and third-party resources, whichever is deemed more practicable by PG&E.
2. The switch will be operated on critical peak pricing (CPP) days consistent with the applicable residential CPP rate schedule. The AC unit will be cycled up to 4 hours (2 pm-6 pm) at a 50% cycling rate.
3. The switch can also be operated by PG&E during a California Independent System Operator (ISO) Stage 2 event on a "day-of" basis for system reliability purposes using the same cycling scheme.

4. PG&E, through its AMI system, will collect interval data to verify the load reduction assumptions and identify any patterns in customers overriding the switch.
5. Customers will be given a single payment of \$30, as a bill credit, at the end of each summer for participating. This will be in addition to any bill savings achieved by the customer during CPP events.
6. For purposes of this pilot program, the AC cycling program will be marketed as an enabling technology for those participating on CPP. Thus the pilot will be run in one or two large areas consistent with PG&E's AMI deployment schedule in 2006 and 2007.
7. The pilot will be marketed in late 2006, actually begin operation in the summer of 2007 and continue through 2008, at which point it will be evaluated. Given this analysis, a decision will be made on whether to continue the pilot in its current form, expand it, or modify it. PG&E will solicit input from TURN and other stakeholders when this analysis is being done.
8. The AC cycling pilot program budget is estimated at about \$1 million and includes marketing, the material and installation costs of the switches, O&M, M&E, and billing the program. PG&E will not request additional funds for this initial pilot program. Instead, it has reallocated required funding from one or more of its other proposed DR programs as set forth in Section III.C below.
9. If this pilot cannot be implemented as contemplated in conjunction with PG&E's AMI project, PG&E will present to the intervenors and other interested stakeholders a pilot proposal for AC cycling without the use of AMI technology within the \$1 million budget adopted here. However, in that event, PG&E will use its budget flexibility to allocate additional funds to increase the customer incentive as appropriate to solicit participation.

B. SF Power Small Customer Aggregation Pilot Program

1. PG&E will file and support necessary changes in the DRP program (and its successor program, if any) to include the small and medium commercial customer market segment (i.e., less than 200 kW) in Alameda, San Francisco, and San Mateo counties, including installation of interval meters for participants.
2. The program's goal is to achieve 2 megawatts (MW) of shiftable load for this customer segment by 2008, with a minimum of 1 MW signed up by the end of 2006.

3. SF Power will be provided with an initial \$250,000 to market and facilitate enrollment in the DRP program for this customer segment and provide any enabling technology it deems necessary to facilitate demand response in this segment within these counties.
4. SF Power will attempt to enroll 1 MW of aggregated load reduction by the end of 2006 (meter installation can occur after enrollment and would not be necessary for counting toward the goal). If SF Power achieves the 1 MW goal an additional \$250,000 will be provided to market the program to other customers in 2007 and 2008 to achieve as much additional load reduction as possible.
5. Additional funds, or direct services, will be provided by PG&E through the DRP program for incentive payments (estimated to be \$200,000 per year) and the installation of interval meters (estimated to be up to \$150,000).
6. Event notification, measurement of load drop and the distribution of incentive payments to participants will be provided through the normal DRP processes.
7. PG&E will measure and evaluate this pilot at the end of 2008 to determine whether to recommend its continuation or expansion. The measurement and evaluation cost is estimated to be \$75,000.
8. The total 3-year budget PG&E seeks for this program is \$1,125,000 as set forth in Section III.C below. The expenses for 2007 and 2008 will either be used in conjunction with a successor program to the DRP, or with the Demand Bidding Program (DBP) if a successor program to the DRP, applicable to this type of small customer aggregation, is not adopted.

C. Adjustments to PG&E's Proposed Budget and Revenue Requirements

1. PG&E agrees to reduce its Technical Assistance/Technology Incentives (TA/TI) budget by \$5 million over three years. PG&E's flexibility to reallocate unspent TA/TI budget will be limited to 25 percent of the TA/TI budget.
2. PG&E agrees to reduce its \$4.7 million Large Customer Outreach Budget by \$1.5 million over 3 years and redirect \$1 million of the reduction toward outreach to the "Water" sector of the market.
3. PG&E agrees to reduce its \$4.2 million Small Customer Outreach and Awareness budget by \$3.9 million over three years.
4. PG&E agrees to reduce its \$9.3 million CEMP budget by \$3 million over three years.

5. PG&E agrees to reduce its \$3.525 million Emerging Technology budget by \$1.8 million over three years.
6. PG&E agrees to remove its CPA-DRP managerial line item from the budget (\$1.545 million over 3 years.)
7. PG&E agrees to reduce its 3 year CPA-DRP budget request (\$37.766 million) to reflect only those dollars needed to operate the program in 2006 (\$636,000). PG&E will request funding for years 2007 and 2008 when it files its proposed successor to this program by June 1, 2006.
8. PG&E will re-direct a portion of the reductions listed in Sections III.C.1 through III.C.7 as follows:
 - 8.1. PG&E will budget \$1 million over 2007 and 2008 to operate a pilot A/C cycling program (see Section III.A).
 - 8.2. PG&E will budget \$1.125 million over 3 years to operate the SF Power small customer aggregation pilot (see Section III.B)
 - 8.3. PG&E will budget \$500,000 over 3 years to developing a DR customer tracking system (EE/DR Tracking-Clearinghouse).
 - 8.4. PG&E will allocate \$1 million towards enhancing its Web presence for the DR programs.

Table 1, attached to this Amended Settlement, summarizes PG&E's revised budget and revenue requirement request.

D. Cost Recovery

- 1 Authorized Annual Demand Response (DR) revenue requirements will be included in PG&E's rates on an annual basis through the Annual Electric True-up (AET) or other proceeding authorized by the Commission. For program year 2006, PG&E will be permitted to consolidate the 2006 revenue requirement for DR programs into rates effective with the next rate change in 2006 following approval of this Amended Settlement.
- 2 PG&E will establish two new accounts. The Demand Response Revenue Balancing Account (DRRBA) will record revenues from authorized DR rates, and balance these revenues against authorized DR budget amounts. The Demand Response Expenditures Balancing Account (DREBA) will record actual costs related to the demand response (DR)

- programs, and track these costs against authorized budgets over the entire 2006-2008 program period.
- 3 DRRBA and DREBA will succeed the Advanced Metering and Demand Response Account (AMDRA) and the Interruptible Load Programs Memorandum Account (ILPMA) as the vehicle for recovery of DR program costs. The ILPMA will be terminated as described in PG&E's testimony in A.05-06-006 filed on June 1, 2006, at page 7-4 lines 7 through 10.
 - 4 The DRRBA will provide concurrent cost recovery, and shall record all authorized incremental DR program budget amounts not already recovered elsewhere in rates. Amortization of the DRRBA over or under collected amounts will be consolidated with other rate changes through the AET or another proceeding authorized by the Commission. DRRBA revenues will be collected from all customers as a component of distribution charges.
 - 5 The DREBA will be a one-way balancing account. Program budgets can be allocated and carried over between program years during the three year budget period, consistent with three-year authorized budget amounts and funding flexibility rules referenced in this Amended Settlement (Section II.D.2). PG&E will not seek to recover from its ratepayers any over-expended balances remaining in the DREBA at the end of 2008. Disposition of any remaining credit balance in the DREBA once all the 2006-2008 program costs have been recorded will be determined in the AET or other proceeding authorized by the Commission. Costs currently assigned to the AMDRA in D.05-01-056 will be recorded in (or transferred to) the DREBA upon Commission approval of this settlement, and advice filings with implementing tariff language. The effective date of the new accounts, DRRBA and DREBA, will be January 1, 2006.
 - 6 TA/TI expenditures will be tracked as a separate line item.

IV. SCE PROGRAMS

The demand response programs, budgets and cost recovery proposed in A.05-06-008 for SCE's 2006 – 2008 demand response portfolio should be adopted subject to the provisions of Section II of this Amended Settlement and the following:

A. Adjustments to SCE's Proposed Programs, Budgets and Revenue Requirements

SCE's proposed programs, budgets and revenue requirements are revised as follows:

1. SCE agrees to terminate its Energy Smart Thermostat-Small C&I program and reduce its originally proposed \$5.6 million budget and associated revenue requirement by \$5.1 million over three years, retaining \$0.5 million to fund decommissioning of the program.
2. SCE agrees to reduce its three year CPA-DRP budget and revenue requirement request of \$26.735 million to \$200,000, needed to continue operation of the CPA-DRP in 2006 through mid-2007. SCE will request funding for the remainder of 2007 and 2008 for its proposed successor program when it files its program proposal in accordance with the provisions of Section II.E.1 of this Amended Settlement.
3. Notwithstanding the provisions of Section I.D of this Amended Settlement, SCE agrees that fund shifting from the TA&TI program to other programs within its category shall be limited to 25% of the TA&TI budget.

Table 2, attached to this Amended Settlement, summarizes SCE's revised budget and revenue requirement request.

B. Cost Recovery

SCE's proposed demand response programs cost recovery, set forth in IV.B of A.05-06-008,³ should be adopted subject to the following:

1. The Demand Response Program Balancing Account (DRPBA) shall operate as a one-way balancing account over the entire three-year period 2006-2008. SCE will not seek to recover from its ratepayers any undercollected balance remaining in the DRPBA at the end of 2008.
2. The TA&TI program will be tracked in the DRPBA as a separate line item.
3. SCE will be permitted to include the 2006 revenue requirement for DR programs in rates effective with SCE's first rate change after a final Commission decision is issued in this proceeding. Subsequent rate changes will be included in SCE's annual ERRA rate consolidation filing.

³ SCE's demand response programs cost recovery is also set forth in Section VII.B of Exhibit SCE-1 in A.05-06-008.

4. Costs for DR programs and activities authorized for 2006 shall be recorded in the AMDRMA until SCE implements the DRPBA. Upon implementation of the DRPBA, such costs shall be transferred from the AMDRMA to the DRPBA.

V. SDG&E PROGRAMS

SDG&E's 2006 -2008 DR programs should be adopted as proposed in A. 05-06-017, subject to Section II of this settlement and the following:

A. SDG&E's Proposed Information Technology (IT) System Modifications

1. SDG&E agrees to include in its showing in its upcoming 2008 Cost of Service proceeding a description of its IT projects and their associated costs that support DR programs. Specific elements of this showing will include:
 - 1.1. IT projects that were developed and funded through SDG&E's 2004 Cost of Service settlement;
 - 1.2. IT projects that were developed and funded through A. 05-06-017; and
 - 1.3. IT projects proposed as part of the 2008 Cost of Service proceeding.

B. Adjustments to SDG&E's Proposed Programs, Budgets and Revenue Requirements

1. SDG&E agrees to reduce its proposed DR programs budgets by a total of \$3 million over the three-year program cycle of 2006 – 2008. The specific program budget reductions are as follows:
 - 1.1. The 2006 budget for Technology Incentives will be reduced by \$0.5 million (from \$6,674,768) to \$6,174,768. The 2007 budget for Technology Incentives will be reduced by \$1.5 million (from \$7,743,902) to \$6,243,902.
 - 1.2. The 2007 budget for Customer Education, Awareness and Outreach will be reduced by \$500,000 (from \$3,212,873) to \$2,712,873. The 2008 budget for Customer Education, Awareness and Outreach will be reduced by \$500,000 (from \$2,924,651) to \$2,424,651.
2. SDG&E agrees that its Technical Assistance/Technology Incentives (TA/TI) budget will not be subject to the fund shifting guidelines addressed in Section II. D. 2. of this Amended Settlement. The TA/TI budget will not be subject to shifting to other programs or program categories.

Table 3, attached to this Amended Settlement, summarizes SDG&E's revised budget.

C. Cost Recovery

Consistent with SDG&E's currently effective tariffs, costs associated with SDG&E's 2006 through 2008 DR programs, including O&M expenses, capital-related costs, customer capacity incentive payments, and other authorized program costs will be recorded to the Advanced Metering and Demand Response Memorandum Account (AMDRMA). Customer energy incentive payments will be recorded to the Energy Resource Recovery Account (ERRA). SDG&E will not record expenses associated with its 2006 through 2008 DR programs into the regulatory accounts that exceed the amounts authorized by the Commission. SDG&E will track TA&TI expenses separately within AMDRMA. Pursuant to SDG&E's current tariffs, the balance in the AMDRMA will be transferred to the Rewards and Penalties Balancing Account (RPBA) on an annual basis for recovery through electric distribution rates over 12 months effective January 1 of each subsequent year. As described in the testimony of Ken Deremer in A. 05-06-008, other demand response costs currently recorded to the Interruptible Load and Rotating Outage Programs Memorandum Account (ILROPMA) and the Residential Demand Responsiveness Program Memorandum Account (RDRPMA) will be consolidated and recorded to the AMDRMA as well. Upon approval of this consolidation, the ILROPMA and RDRPMA will be eliminated.

VI. SIGNATURES

This Amended Settlement contains the entire agreement and understanding between the Settling Parties as to the subject matter of this Amended Settlement, and supersedes all prior agreements, commitments, representations, and discussions between the Settling Parties. In the event there is any conflict between the terms and scope of the Amended Settlement and the terms and scope of the accompanying motion for adoption of the Amended Settlement, the Amended Settlement shall govern.

Executed this 30 day of January, 2006

AGLET CONSUMER ALLIANCE

By:

Print Name:

Title:

James Weil
Director

ASSOCIATION OF CALIFORNIA WATER AGENCIES

By:

Print Name:

Title:

DIVISION OF RATEPAYER ADVOCATES

By:

Print Name:

Title:

PACIFIC GAS AND ELECTRIC COMPANY

By:

Print Name:

Title:

SAN DIEGO GAS & ELECTRIC COMPANY

By:

Print Name:

Title:

SAN FRANCISCO COMMUNITY POWER

By:

Print Name:

Title:

SOUTHERN CALIFORNIA EDISON COMPANY

By:

Print Name:

Title:

THE UTILITY REFORM NETWORK

By:

Print Name:

Title:

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Executed this 30th day of January, 2006

AGLET CONSUMER ALLIANCE

By:

Print Name:

Title:

ASSOCIATION OF CALIFORNIA WATER AGENCIES

By:

Print Name:

Title:

DIVISION OF RATEPAYER ADVOCATES

By:

Print Name:

Title:

PACIFIC GAS AND ELECTRIC COMPANY

By:

Print Name:

Title:

SAN DIEGO GAS & ELECTRIC COMPANY

By:

Print Name:

Title:

SAN FRANCISCO COMMUNITY POWER

By:

Print Name:

Title:

SOUTHERN CALIFORNIA EDISON COMPANY

By:

Print Name:

Title:

THE UTILITY REFORM NETWORK

By:

Print Name:

Title:

VI. SIGNATURES

This Amended Settlement contains the entire agreement and understanding between the Settling Parties as to the subject matter of this Amended Settlement, and supersedes all prior agreements, commitments, representations, and discussions between the Settling Parties. In the event there is any conflict between the terms and scope of the Amended Settlement and the terms and scope of the accompanying motion for adoption of the Amended Settlement, the Amended Settlement shall govern.

Executed this 30 day of January, 2006

AGLET CONSUMER ALLIANCE

By:

Print Name:

Title:

DIVISION OF RATEPAYER ADVOCATES

By:

Print Name:

Title:

SAN DIEGO GAS & ELECTRIC COMPANY

By:

Print Name:

Title:

**SOUTHERN CALIFORNIA EDISON
COMPANY**

By:

Print Name:

Title:

**ASSOCIATION OF CALIFORNIA WATER
AGENCIES**

By:

Print Name:

Title:

PACIFIC GAS AND ELECTRIC COMPANY

By:

Print Name:

Title:

SAN FRANCISCO COMMUNITY POWER

By:

Print Name: EDWARD G. POOLE

Title: Counsel for SFCP

THE UTILITY REFORM NETWORK

By:

Print Name:

Title:

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ASSOCIATION OF CALIFORNIA WATER AGENCIES

By:

Print Name:

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PACIFIC GAS AND ELECTRIC COMPANY

By:

Print Name:

Title:

SAN FRANCISCO COMMUNITY POWER

By:

Print Name:

Title:

THE UTILITY REFORM NETWORK

By:

Print Name:

Title:

Marcel Hawiger
Marcel Hawiger
Staff Attorney

TABLE 1

PG&E'S REVISED BUDGET AND REVENUE REQUIREMENT

PG Demand Response Programs & Activities
2006-2008 Incremental Cost Budget

PG&E Demand Response Proposals by Budget Category	2006	2007	2008	Total 3-Year Budget
Category 1: Specific Programs				
Demand Bidding Program	\$3,277,000	\$3,277,000	\$3,277,000	\$9,831,000
Critical Peak Pricing	\$393,000	\$393,000	\$393,000	\$1,179,000
CPA Demand Reserves Partnership Program (DRP)	\$636,000	\$18,565,000	\$18,565,000	\$37,766,000
Less: Settlement Adjustment	\$0	(\$18,565,000)	(\$18,565,000)	(\$37,130,000)
CPA Managerial Agreement	\$515,000	\$515,000	\$515,000	\$1,545,000
Less: Settlement Adjustment	(\$515,000)	(\$515,000)	(\$515,000)	(\$1,545,000)
Business Energy Coalition	\$3,395,000	\$5,670,000	\$5,172,000	\$14,237,000
Base Interruptible Program	\$100,000	\$390,000	\$390,000	\$880,000
E-19/E-20 Nonfirm Program	\$50,000	\$50,000	\$50,000	\$150,000
Other Reliability Programs	\$45,000	\$45,000	\$45,000	\$135,000
Small Customer Pilot for CPA program	\$0	\$0	\$0	\$0
Added: Settlement Adjustment	\$375,000	\$375,000	\$375,000	\$1,125,000
A/C Pilot (as enabling technology for CPP)	\$0	\$0	\$0	\$0
Added: Settlement Adjustment	\$334,000	\$333,000	\$333,000	\$1,000,000
Technical Assistance/Equipment Incentives	\$11,110,000	\$11,120,000	\$11,130,000	\$33,360,000
Less: Settlement Adjustment	(\$1,670,000)	(\$1,670,000)	(\$1,660,000)	(\$5,000,000)
Integrated EE/DR Marketing	\$2,600,000	\$2,700,000	\$2,900,000	\$8,200,000
Targeted Education and Outreach	\$1,500,000	\$1,500,000	\$1,700,000	\$4,700,000
Less: Settlement Adjustment	(\$500,000)	(\$500,000)	(\$500,000)	(\$1,500,000)
Community EE/DR Partnership Demonstration	\$2,100,000	\$3,100,000	\$4,100,000	\$9,300,000
Less: Settlement Adjustment	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$3,000,000)
General Education and Awareness	\$1,400,000	\$1,400,000	\$1,400,000	\$4,200,000
Less: Settlement Adjustment	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$3,900,000)
Water Outreach	\$0	\$0	\$0	\$0
Added: Settlement Adjustment	\$334,000	\$333,000	\$333,000	\$1,000,000
Statewide Pricing Pilot	\$890,000	\$450,000	\$200,000	\$1,540,000
Budget Category 1 Total	\$24,069,000	\$26,666,000	\$27,338,000	\$78,073,000
Category 2: Statewide Informational, Educational and Development Programs				
Flex Your Power Now! (FYPN!)	\$3,280,000	\$3,280,000	\$3,280,000	\$9,840,000
Emerging Markets & Technologies	\$1,075,000	\$1,175,000	\$1,275,000	\$3,525,000
Less: Settlement Adjustment	(\$600,000)	(\$600,000)	(\$600,000)	(\$1,800,000)
PEAK	\$1,080,000	\$1,080,000	\$1,080,000	\$3,240,000
Special Projects Group	\$438,000	\$438,000	\$438,000	\$1,314,000
Budget Category 2 Total	\$5,273,000	\$5,373,000	\$5,473,000	\$16,119,000
Category 3: Other Programs				
M&E Cost Benefit Evaluation Framework	\$200,000	\$200,000	\$200,000	\$600,000
Contract Clearinghouse	\$0	\$0	\$0	\$0
Added: Settlement Adjustment	\$167,000	\$167,000	\$166,000	\$500,000
Web Enhancements	\$0	\$0	\$0	\$0
Added: Settlement Adjustment	\$334,000	\$333,000	\$333,000	\$1,000,000
2005 20/20 Program	\$110,000	\$0	\$0	\$110,000
InterAct	\$4,000,000	\$4,100,000	\$4,200,000	\$12,300,000
Budget Category 3 Total	\$4,811,000	\$4,800,000	\$4,899,000	\$14,510,000
GRAND TOTAL	\$34,153,000	\$36,839,000	\$37,710,000	\$108,702,000

TABLE 2

SCE'S REVISED BUDGET AND REVENUE REQUIREMENT

SCE Demand Response Programs & Activities
2006-2008 Incremental Cost Budget

SCE Demand Response Proposals by Budget Category				Adjusted Annual Budgets		
	SCE 3 Year Request	Settlement Adjustment	SCE 3 Year Adjusted Request			
				2006	2007	2008
Category 1: Specified Programs						
Demand Bidding Program	\$675,000	\$0	\$675,000	\$225,000	\$225,000	\$225,000
Critical Peak Pricing (CPP-VCD & CPP-GCCD)	\$159,000	\$0	\$159,000	\$53,000	\$53,000	\$53,000
CPA Demand Reserves Partnership Program (DRP)	\$26,735,000	(\$26,535,000)	\$200,000	\$125,000	\$75,000	\$0
Expanded Air Conditioner Cycling Program AP-1	\$38,187,200	\$0	\$38,187,200	\$12,280,000	\$12,749,600	\$13,157,600
Energy Smart Thermostat-Small C&I	\$1,174,220	\$0	\$1,174,220	\$405,000	\$374,740	\$394,480
Statewide Pricing Pilot	\$5,637,000	(\$5,137,000)	\$500,000	\$500,000	\$0	\$0
Small Business Communicating Thermostat Pilot	\$527,000	\$0	\$527,000	\$527,000	\$0	\$0
Technical Assistance/Equipment Incentives	\$5,511,000	\$0	\$5,511,000	\$4,152,000	\$697,000	\$662,000
Integrated EE/DR Marketing	\$20,850,000	\$0	\$20,850,000	\$6,950,000	\$6,950,000	\$6,950,000
Community EE/DR Partnership Demonstration	\$3,018,820	\$0	\$3,018,820	\$1,172,940	\$922,940	\$922,940
Circuit Savers	\$5,323,000	\$0	\$5,323,000	\$1,241,000	\$1,841,000	\$2,241,000
Ag & Water Outreach	\$600,000	\$0	\$600,000	\$200,000	\$200,000	\$200,000
Federal Power Reserves Partnership Program	\$1,845,000	\$0	\$1,845,000	\$475,000	\$650,000	\$720,000
Budget Category 1 Total	\$111,482,240	(\$31,672,000)	\$79,810,240	\$330,000	\$435,000	\$475,000
				\$28,635,940	\$25,173,280	\$26,001,020
Category 2: Statewide Informational, Educational and Development Programs						
Flex Your Power Now! (FYPN!)	\$8,070,000	\$0	\$8,070,000			
Emerging Markets & Technologies	\$3,750,000	\$0	\$3,750,000	\$2,690,000	\$2,690,000	\$2,690,000
PEAK	\$4,322,879	\$0	\$4,322,879	\$1,250,000	\$1,250,000	\$1,250,000
Budget Category 2 Total	\$16,142,879	\$0	\$16,142,879	\$2,837,060	\$742,858	\$742,961
				\$6,777,060	\$4,682,858	\$4,682,961
Category 3: Other Programs						
Specific Program M&E	\$2,160,000	\$0	\$2,160,000			
M&E Supporting Activities	\$960,000	\$0	\$960,000	\$725,000	\$860,000	\$575,000
EE/DR Integrated Program Tracking System	\$500,000	\$0	\$500,000	\$320,000	\$320,000	\$320,000
Demand Response Systems Integration	\$1,000,000	\$0	\$1,000,000	\$0	\$0	\$500,000
DR Forecasting Tool	\$490,000	\$0	\$490,000	\$300,000	\$350,000	\$350,000
Budget Category 3 Total	\$5,110,000	\$0	\$5,110,000	\$350,000	\$70,000	\$70,000
				\$1,695,000	\$1,600,000	\$1,815,000
GRAND TOTAL				\$37,108,000	\$31,456,138	\$32,498,981

TABLE 3

SDG&E'S REVISED BUDGET AND REVENUE REQUIREMENT

Budget - 2006-2008

	2006		2007		2008		3-Year Budget Difference
	Proposed Budget	Revised Budget	Proposed Budget	Revised Budget	Proposed Budget	Revised Budget	
Day-Ahead							
Voluntary CPP	\$378,477	\$378,477	\$355,188	\$355,188	\$361,119	\$361,119	
DBP	\$1,095,806	\$1,095,806	\$904,823	\$904,823	\$942,580	\$942,580	
CPA DRP	\$198,952	\$198,952	\$0	\$0	\$0	\$0	
Peak Day 20/20	\$833,363	\$833,363	\$656,272	\$656,272	\$663,505	\$663,505	
Sub-total: Day-Ahead Programs	\$2,506,597	\$2,506,597	\$1,916,282	\$1,916,282	\$1,967,204	\$1,967,204	
Day-Of Programs							
DBP-E	\$286,596	\$286,596	\$439,494	\$439,494	\$592,352	\$592,352	
BIP	\$427,424	\$427,424	\$616,936	\$616,936	\$704,429	\$704,429	
CPP-E	\$236,326	\$236,326	\$121,176	\$121,176	\$122,525	\$122,525	
Res Smart Thermostat	\$1,110,834	\$1,110,834	\$0	\$0	\$0	\$0	
Sub-total: Day-Of Programs	\$2,061,179	\$2,061,179	\$1,177,606	\$1,177,606	\$1,419,306	\$1,419,306	
Technical Assistance and Technology Incentives							
Technical Assistance	\$1,950,049	\$1,950,049	\$1,966,979	\$1,966,979	\$1,983,717	\$1,983,717	
Technology Incentives	\$6,674,768	\$6,174,768	\$7,743,902	\$6,243,902	\$4,938,217	\$4,938,217	
Sub-total: TA and TI	\$8,624,817	\$8,124,817	\$9,710,882	\$8,210,882	\$6,921,934	\$6,921,934	
Customer Education, Awareness & Outreach							
Customer Education, Awareness & Outreach	\$2,804,358	\$2,804,358	\$3,212,873	\$2,712,873	\$2,924,651	\$2,424,651	
Flex Your Power Now!	\$679,247	\$679,247	\$680,076	\$680,076	\$680,896	\$680,896	
Emerging Markets	\$666,011	\$666,011	\$650,978	\$650,978	\$651,827	\$651,827	
Community Outreach	\$292,073	\$292,073	\$260,650	\$260,650	\$264,842	\$264,842	
Circuit Savers	\$395,842	\$395,842	\$398,051	\$398,051	\$400,231	\$400,231	
Sub-total: Customers Education, Awareness & Outreach	\$4,837,531	\$4,837,531	\$5,202,627	\$4,702,627	\$4,922,448	\$4,422,448	
Other Programs							
Statewide Pricing Pilot (SPP)	\$93,564	\$93,564	\$1,161	\$1,161	\$0	\$0	
ADRS	\$68,262	\$68,262	\$0	\$0	\$0	\$0	
On-Bill Financing	\$139,874	\$139,874	\$139,874	\$139,874	\$139,874	\$139,874	
Competitive Bid	\$149,448	\$149,448	\$152,706	\$152,706	\$155,919	\$155,919	
Sub-total: Other Programs	\$451,147	\$451,147	\$293,740	\$293,740	\$295,792	\$295,792	
Additional Activities							
Cost Benefit Framework	\$82,158	\$82,158	\$82,987	\$82,987	\$83,808	\$83,808	
Annual Report	\$27,837	\$27,837	\$28,169	\$28,169	\$28,497	\$28,497	
Market Research	\$305,279	\$305,279	\$233,566	\$233,566	\$237,193	\$237,193	
IT	\$2,212,015	\$2,212,015	\$0	\$0	\$0	\$0	
Sub-total: Additional Activities	\$2,627,289	\$2,627,289	\$344,722	\$344,722	\$349,498	\$349,498	
Total: All Programs	\$21,108,560	\$20,608,560	\$18,645,860	\$16,645,860	\$15,876,182	\$15,376,182	\$3,000,000